



State of Washington
Department of Revenue

Excise Tax Advisory

Excise Tax Advisories (ETA) are interpretive statements issued by the Department of Revenue under authority of RCW 34.05.230. ETAs explain the Department's policy regarding how tax law applies to a specific issue or specific set of facts. They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

NUMBER: 270.04.194

CONVERSION DATE: July 1, 1998

This ETA is cancelled effective January 30, 2006.

INTEREST INCOME DERIVED FROM THE EXTENSION OF CREDIT TO A PARTY IN ANOTHER STATE BY A WASHINGTON TAXPAYER WITH BUSINESS SITUS IN BOTH STATES

Issued July 31, 1974

When interest income is derived from the extension of credit to a party in another state by a Washington taxpayer with business situs in both states, the taxability of that income is covered by the following portion of Rule 194:

Persons engaged in a business taxable under the Service and Other Business Activities classification and who maintain places of business both within and without this state which contribute to the performance of a service, shall apportion to this state that portion of gross income derived from services rendered by them in this state.

Thus, apportionment of the income between the states in which business situs exists is in order only if each business situs contributes to the production of the income. From this, two corollaries may be drawn. First, if the Washington business situs does not contribute to the income producing service, Washington may not tax any of that income. Second, if the out-of-state business situs does not contribute to the income producing service, Washington may tax all of that income.

What constitutes "contribution" sufficient to establish jurisdiction for the imposition of Service business and occupation tax is a factual determination that will require close scrutiny of the transactions involved in each case.

ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.

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